Ontario

Getting Started:

Heritage Property Tax Relief

A Guide for Municipalities

106-07466

Getting Started:

Heritage Property Tax Relief

A Guide for Municipalities

Photo Credits:

(Cover)

1. Zeller Street, Kitchener	*Leon Bensason, City of Kitchener*
2. Market Hall & George St., Peterborough	*Erik Hanson, Trevelyan Architect*
3. Prince George Hotel, Kingston	*Ontario Heritage Foundation*
4. Maintaining Heritage Home, Port Hope	*Ministry of Culture*

(Back Cover)

1. Unionville House, Markham	*Ministry of Culture*
2. Morrow Building, Peterborough	*Erik Hanson, Trevelyan Architect*
3. Thousand Islands Cottage	*Ministry of Culture*
4. 5 Michael Street, Kitchener	*Leon Bensason, City of Kitchener*

Table of Contents

Heritage Property Tax Relief: A New Tool for Conservation 1

Who Pays for Heritage Property Tax Relief? 1

Why Heritage Property Tax Relief? 1

Introduction to 10 Steps 2

Step 1: Involve People in the Community 3

Step 2: Develop Eligibility Criteria 5

Mandatory Eligibility Criteria 5

Heritage Conservation Agreement 5

Municipal Property Assessment Corporation 7

Additional Eligibility Criteria 7

Step 3: Decide Amount of Relief 9

Step 4: Decide Form of Relief 11

Step 5: Determine How to Fund Program 11

Funding the Program 11

Provincial Contribution 12

Process in Single-tier Structure 12

Process in Two-tier Structure 12

Step 6: Establish Application Process 13

Step 7: Develop a Monitoring Strategy 15

Step 8: Identify Remedial Actions 16

Step 9: Pass Program By-law 17

Step 10: Promote your Program 19

APPENDIX A – Heritage Conservation Agreements 21

Process 21

Key Elements 23

APPENDIX B – Assistance from the Municipal Property Assessment Corporation 24

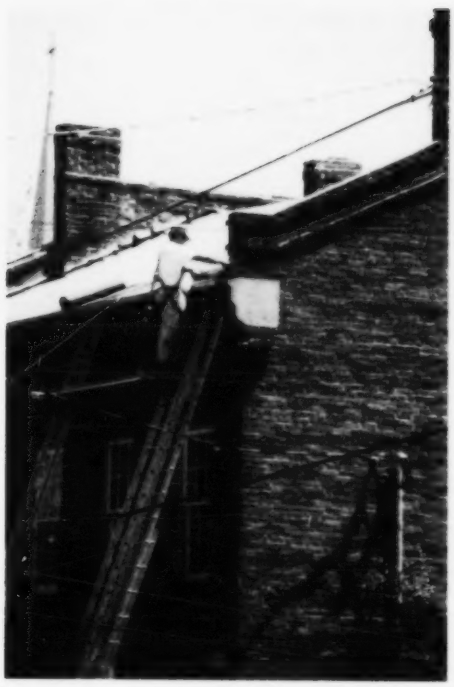
APPENDIX C – Program Funding Process 26

Photo credit: Erik Hanson

Throughout Ontario, conserving heritage properties has helped revitalize historic town centres and attract residents, businesses and visitors to communities.

View of Market Hall and downtown Peterborough

Property tax relief encourages and supports owners to be stewards of their heritage properties, so that Ontario's heritage is protected for future generations.



Heritage Property Tax Relief: A New Tool for Conservation

Heritage property tax relief is a financial tool for municipalities to help owners maintain and restore their properties for the benefit of the entire community — today and into the future.

Adopting the program is a municipal choice and the program is administered at the local level. Section 365.2 of the *Municipal Act, 2001* gives municipalities the option of establishing a program to provide property tax relief (10 to 40 per cent) to owners of eligible heritage properties. Municipalities must pass a by-law to adopt the program.

This new program was developed by the Ministry of Culture and the Ministry of Finance in response to requests from municipalities, heritage organizations and property owners for a permanent tax incentive to promote heritage ***conservation***.

Conservation — aims at safeguarding a heritage property so it retains its cultural heritage value or interest, integrity or appearance and its physical life is extended. Activities include: identification, protection, interpretation, management, use, preservation, stabilization, repair and maintenance.

Who Pays for Heritage Property Tax Relief?

A portion of property taxes goes to school boards and another portion goes to the municipality. The province shares in the cost of the program by funding the education portion of the property tax relief. Municipalities that adopt the heritage property tax relief will contribute to this important program by funding their portion of the tax relief.

Why Heritage Property Tax Relief?

Well-maintained heritage properties enrich our quality of life and give communities their unique character and sense of place. Throughout Ontario, conserving heritage properties has helped revitalize historic town centres and attract residents, businesses and visitors to communities.

Although heritage properties provide benefit and enjoyment to the whole community, most of these properties are privately owned. This program provides an incentive to owners to make regular investments in the ongoing conservation of their heritage properties. With continuous care and ***maintenance***, major restoration projects and their high costs can often be avoided.

The property tax relief encourages and supports owners to be stewards of their heritage properties, so that Ontario's heritage is protected for future generations.

Maintenance — aims at mitigating natural wear and deterioration without altering the cultural heritage value or interest, integrity or appearance of a heritage property. It includes both routine and cyclical activities.

Introduction to 10 Steps

This guide* provides step-by-step information on how municipalities can develop a heritage property tax relief program. The guide provides two kinds of information:

- steps that are mandatory under section 365.2 of the *Municipal Act, 2001* — these are indicated throughout the guide by the word "**must**";
- steps that are not mandatory but are recommended.

For clarity, the guide divides the process of developing a heritage property tax relief program into 10 steps. However, the number and sequence of the steps can vary depending on local circumstances and decision-making processes.

10 steps to developing a heritage property tax relief program for your municipality:

1. **Involve people in the community;**
2. **Develop eligibility criteria;**
3. **Decide amount of relief;**
4. **Decide form of relief;**
5. **Determine how to fund program;**
6. **Establish application process;**
7. **Develop a monitoring strategy;**
8. **Identify remedial actions;**
9. **Pass program by-law;**
10. **Promote your program.**

* This guide is provided for information purposes only and is not intended to be authoritative. Reference should be made to the official text of section 365.2 of the *Municipal Act, 2001* in developing or administering a heritage property tax relief program.

Involve People in the Community

Involving people with a range of interests and expertise will help ensure that your heritage property tax relief program meets the needs of your community. You may want to consult with interested parties at the outset before making some key decisions about your program, and throughout the program development process. This approach will help develop public awareness and support for your program.

If your municipality has a Municipal Heritage Committee (formerly known as "Local Architectural Conservation Advisory Committee" or "LACAC"), it is important to consult with this committee as its members have expertise in heritage conservation and can help promote and support your program.

Municipal Heritage Committees are volunteer committees — usually made up of council members and residents — appointed by municipal councils to advise them on heritage issues. Committees are involved in a wide range of activities, including:

- providing advice to council on designations and alterations to individually designated properties;
- providing advice to council on alterations to heritage conservation districts to ensure that buildings, streetscapes and open spaces are conserved appropriately;
- developing local criteria for designation;
- conducting research and compiling inventories of heritage properties in the community;
- providing information and education on heritage resources and conservation;
- liaising between property owners and council;
- organizing heritage events (e.g. walking tours, open houses).

You may want to consult with interested parties at the outset before making some key decisions about your program, and throughout the program development process.

The following is a list of other groups that may be able to provide valuable input into the development of a tax relief program:

- municipal, regional and county councillors;
- municipal staff, such as finance, planning, heritage and economic development officers;
- property owners, especially of heritage property;
- local historical societies and Architectural Conservancy of Ontario (ACO) chapters;
- Chambers of Commerce;
- ratepayers' and neighbourhood associations;
- development industry representatives;
- real estate industry representatives.

Photo credit: Ministry of Culture

Residences in a Heritage Conservation District, London

Develop Eligibility Criteria

Mandatory Eligibility Criteria

To be eligible for the tax relief, a property **must** contain a building, structure or a portion of a building or structure that is:

- designated under Part IV of the *Ontario Heritage Act* or part of a heritage conservation district designated under Part V of the Act; and
- subject to a heritage conservation agreement for the property.

Heritage Conservation Agreement

A heritage conservation agreement is a voluntary legal agreement between the municipality (or the Ontario Heritage Foundation) and an owner to protect the heritage features of a property, and to encourage good stewardship of the property. As the agreement is voluntary, it recognizes the intention of both parties to protect the heritage character of the property.

The *Municipal Act, 2001* provides three options for the heritage conservation agreement:

1. an easement agreement between the property owner and the local municipality under section 37 of the *Ontario Heritage Act*; or
2. an easement agreement (often referred to as a "conservation easement") between the property owner and the Ontario Heritage Foundation under section 22 of the *Ontario Heritage Act*; or
3. an agreement between the property owner and the local municipality respecting the preservation and maintenance of the property.

In this guide, "agreement" or "heritage conservation agreement" refers to all three options.

The first two agreement options provided for under the *Ontario Heritage Act* are binding on future owners of the property. These agreements ensure protection of the heritage property in perpetuity, as every new owner must conserve the property to the same extent.

The Ontario Heritage Foundation, a provincial Crown agency, is authorized under Part II of the *Ontario Heritage Act* to enter into heritage conservation easement agreements with owners of heritage properties.

The Foundation holds over 180 easement agreements across the province. Most protect significant architectural features, but an increasing number are being used to protect endangered natural heritage and archaeological sites. The Foundation's conservation agreements recognize the heritage value of a property, raise awareness of heritage conservation practices, and ensure good stewardship of the heritage property into the future.

In contrast, the third option is an agreement made with the current owner of the heritage property and may or may not be registered on title. It ceases to have effect when the owner sells the property.

One of the three agreement options is required because, under section 29 of the *Ontario Heritage Act*, municipal designation alone does not oblige owners to maintain their properties on an ongoing basis. As the purpose of the tax relief measure is to offer an incentive for heritage property conservation, relief will only be made available to those owners who have made a long-term commitment to conserve their heritage properties.

Information contained in designation by-laws (e.g. heritage attributes) can be useful in drafting heritage conservation agreements. Municipalities can adapt their heritage conservation agreements to reflect their local program. However, all agreements should contain certain core elements to ensure the conservation of heritage properties, including:

- requirements for the owner to maintain the property in good condition and seek approval for alterations that would affect its heritage attributes or features;
- provisions for the municipality to monitor the condition of the property periodically.

For more information about the Ontario Heritage Foundation's Heritage Conservation Easement Program, visit its Web site at www.heritagefdn.on.ca. If your municipality requires assistance in designing an effective conservation agreement as part of your heritage property tax relief program, contact the Foundation at (416) 325-5000.

Photo credit: Ontario Heritage Foundation

Prince George Hotel of Kingston is protected by an Ontario Heritage Foundation Conservation Easement Agreement

Appendix A provides more information on heritage conservation agreements and examples are available on the Ministry of Culture Web site at www.culture.gov.on.ca.

Municipal Property Assessment Corporation

In some cases, only a portion of a property is designated (e.g. the farmhouse and its adjacent grounds, but not the entire farm property).

The Municipal Property Assessment Corporation (MPAC) can help municipalities determine the value of the designated portion of property that is deemed eligible under a local program. (See Appendix B for more information on assistance from MPAC.)

Additional Eligibility Criteria

Section 365.2 of the *Municipal Act, 2001* gives municipalities the flexibility to establish additional eligibility criteria, and to specify different criteria for properties in different classes.

Section 365.2 of the *Municipal Act, 2001* gives municipalities the flexibility to establish additional eligibility criteria, and to specify different criteria for properties in different classes.

Additional criteria can be developed to support strategic community development objectives, including:

- rehabilitation of certain kinds of properties (e.g. commercial, residential, agricultural);
- regeneration of specific areas (e.g. high vacancy areas, town centres);
- conservation of certain parts of the community that have special character or tourist appeal (e.g. heritage conservation districts, historic business or waterfront areas);
- promotion of heritage designation in specific areas with relatively few properties designated under the *Ontario Heritage Act*.

Municipalities can also use the eligibility criteria to limit the number of eligible properties (and thus, the total cost of the program), including:

- targeting their program to properties already subject to a heritage conservation agreement to make the program easier to administer in the first few years;
- targeting properties designated prior to a certain date to test the program as a pilot before extending it to additional properties;
- requiring that properties be in good condition or have a conservation plan approved by the municipality;
- setting a limit on the number of years a property can be eligible for tax relief (e.g. ten years).

Municipalities can provide relief to all eligible properties located in a heritage conservation district as they are designated under Part V of the *Ontario Heritage Act* (provided that each is subject to a heritage conservation agreement), or target specific district properties by developing additional eligibility criteria, for example, properties that:

- date from an early time in the community's development and retain most of their heritage features;
- represent an historic architectural style or method of construction, or the work of an important builder, designer, engineer or architect;
- are associated with a significant historic event or person.

City of Kingston historic Market Square and the commercial properties facing the square are designated under Part V (District) of the Ontario Heritage Act.

Decide Amount of Relief

The *Municipal Act, 2001* allows municipalities that adopt a program to provide tax relief between 10 and 40 per cent of the property taxes levied on the eligible property or eligible portion of the property. Municipalities may:

- choose the specific amount of relief (within the 10 to 40 per cent range);
- apply different percentages to different property classes or to different types of properties within a class;
- specify a minimum or maximum amount of taxes for a year to be reduced or refunded under the by-law (e.g. minimum and maximum amounts can be set per eligible property, property class or for the overall municipal program);
- establish a threshold (e.g. $500) of tax relief so that owners who would qualify for only a nominal amount of relief would not be eligible (so that the administrative cost to the municipality of providing the relief would not exceed the amount of relief).

A municipality can also use the percentage of relief to target certain kinds of properties. For example, if a municipality wants to develop a program that will recognize the importance of agricultural heritage to the community, it could set a higher percentage of relief for properties in the farm class; also, if there is a large proportion of income-generating heritage properties in need of repair, the municipality could set a higher percentage of relief for properties in the commercial class.

Step 4

Decide Form of Relief

Tax relief under this program may take the form of a tax reduction, or it may be processed as a refund after property owners have paid their taxes.

For example, municipalities could:

- reduce taxes by applying a credit against the owner's property tax account to reduce the total balance owed in the current year (owners would see a credit adjustment posted on their property tax bill);
- refund taxes by issuing a cheque;
- credit all or part of the tax reduction against the owner's outstanding property tax liability from the current year and/or previous years, if applicable.

A tax refund has the advantage of highlighting to owners what they have saved and the savings that can be put back into heritage property conservation.

Savings can be put back into heritage property conservation.

Photo credit: Erik Hanson

Restoring main street landmarks
Morrow Building, Peterborough

Determine How to Fund Program

Funding the Program

The heritage property tax relief program is subject to the same funding rules that apply to other optional municipal tax relief programs. It is up to municipalities to decide how they want to fund their program, for example, through:

- non-tax revenue sources (e.g. reserves, municipal program resources);
- tax revenue sources (e.g. a general municipal levy increase).

It is important to note that municipalities must adhere to the tax ratio and levy restriction rules under Part VIII of the *Municipal Act, 2001*.

Municipalities can control the total cost of the program in a number of ways, for example:

- choosing relief rates at the lower end of the 10 to 40 per cent range;
- setting a cap on the amount of relief available to all properties or on classes with a higher proportion of eligible properties;
- limiting the number of applicants by establishing additional eligibility criteria (see Step 2).

Municipal tax collectors and other finance officials can help identify ways to fund the municipal portion of the program.

Provincial Contribution

A portion of property taxes goes to school boards and another portion goes to the municipality. The Province shares in the cost of the program by funding the education portion of the property tax relief. The overall education funding available to school boards for the provision of the publicly funded elementary and secondary school education is not affected by a heritage property tax relief program. Under the current funding framework for public education, called Grants for Student Needs, overall funding for the provision of public education in Ontario is set on a fair and equitable basis, and is protected from fluctuations in property tax revenues. If the property tax revenues decline, provincial grants increase automatically to make up for the shortfall in the allocation to the overall funding level approved by the Province.

The province shares in the cost of the program by funding the education portion of the property tax relief.

If a municipality provides tax relief under this program, the education portion of the tax **must** be reduced in the same proportion as the municipal portion of the tax relief. The municipality recoups the cost of the education tax reduction by deducting the appropriate amount from the remittances it makes to school boards.

Process in Single-tier Structure

If your municipality is a single-tier municipality, the amount of the tax reduction or refund **must** be shared by the municipality and the school board(s) in the same proportion as you share in the tax revenues.

Process in Two-tier Structure

If a lower-tier municipality adopts the program, the upper-tier municipality *may* pass a by-law to authorize a similar reduction or refund of taxes levied for upper-tier purposes.

If the upper-tier *does not* pass a similar by-law, the lower-tier has two choices:

- provide tax relief on all portions of the property taxes levied and absorb the upper-tier's portion of the tax relief; or
- calculate the tax relief based on the lower-tier and education share of the property taxes only, without affecting the upper-tier's tax revenues — in this case, the property owner would receive a lower amount of relief.

If the upper-tier municipality *does* pass a by-law to match that of the lower-tier, the cost of the relief **must** be shared by both municipalities and the school board(s) in the same proportion as these bodies share in the tax revenues.

Appendix C provides examples of program funding in a single-tier structure and a two-tier structure.

Establish Application Process

Municipalities will need to establish an application process, which may include application forms, information requirements and submission deadlines.

Heritage property owners **must** submit an initial tax relief application. To receive tax relief for a particular year (e.g. 2005), property owners **must** submit their applications by February 28th of the following year (e.g. 2006).

It is up to municipalities to decide whether they want property owners to submit applications in subsequent years of the program, or to continue the relief based on the original application. If municipalities wish to receive applications after the first year, they **must** specify this in their program by-law.

Municipalities can establish their own timelines to process tax relief applications, inform owners of their decisions and provide tax reductions or refunds. There is no legislative requirement for municipalities to pay owners interest if tax reductions or refunds under this program are not provided by a specified date.

Municipalities can establish their own timelines to process tax relief applications, inform owners of their decisions and provide tax reductions or refunds.

A heritage conservation agreement may be developed before or after an application is submitted, or while the municipality is considering the application. For example, a municipality may decide to:

- consider only applications with evidence of a valid agreement secured prior to the application;
- approve an application on the condition that an agreement be secured within a specific timeframe (tax relief benefits would begin on the day the agreement becomes effective);
- develop an agreement as part of the application review process (final approval would be given when the agreement is finalized).

Municipalities may consider collecting key property information in the application form, including:

- designation information (e.g. date, by-law number);
- details about the heritage conservation agreement, or a copy of the agreement, if applicable;
- current photographs of the property (if not included with the agreement);
- anticipated scope of work, if applicable (e.g. multi-year project);
- past conservation costs, along with appropriate receipts, if applicable (e.g. if program criteria include the submission of a conservation plan and/or program is retroactive).

Before Project

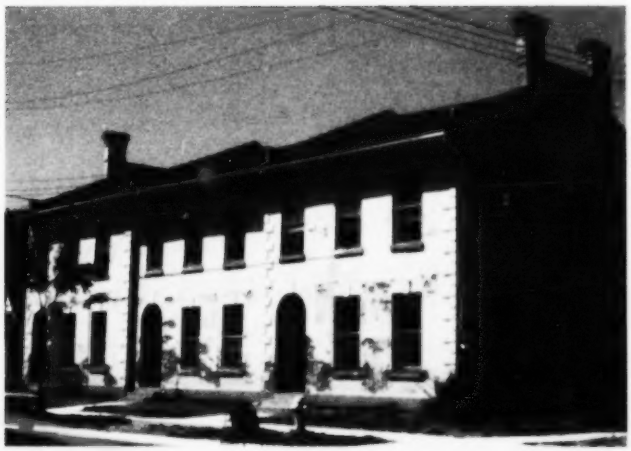


Photo credit: Ministry of Culture

After Conservation Repair

Photo credit: Ministry of Culture

108 George Street, Brantford

Photographs and other recording methods are critical to assess the current status of the property and may also be used as the basis upon which future improvements are approved. (See Appendix A: Heritage Conservation Easements for details on baseline information.)

Develop a Monitoring Strategy

Municipalities are encouraged to develop a monitoring strategy to:

- help ensure that heritage property owners comply with their heritage conservation agreements to maintain their properties;
- assess how well their program is working and bring to light any changes that may be needed (e.g. evaluation of results against community objectives).

Heritage conservation agreements (discussed in Step 2 and Appendix A) should include monitoring requirements to ensure that owners who benefit from this program are meeting the terms of their agreements. For example, agreements could:

- authorize municipal representatives to conduct property inspections, as required or scheduled;
- require owners to provide municipal staff with property insurance certificates and photos of their properties;
- require tax relief recipients to submit a heritage maintenance report (e.g. work completed), as required or scheduled;
- require owners to hire a qualified heritage consultant (e.g. every five years) to inspect and certify that the property has been maintained in accordance with the heritage conservation agreement.

Municipalities can also include additional eligibility criteria in their by-law and on the application form (e.g. program terms and conditions) as they see fit.

Step 8

Identify Remedial Actions

If a tax relief recipient demolishes the property or breaches the terms of the heritage conservation agreement, the municipality may require the owner to:

- repay all or part of the tax relief that has been provided to the property owner under the program; and
- pay interest on the amounts being repaid at a rate that does not exceed the lowest prime rate reported to the Bank of Canada by Canadian chartered banks (Schedule 1 banks under the *Bank Act*) for the period calculated from the date the tax relief was provided (see section 365.2(15) of the *Municipal Act, 2001*); or
- take appropriate legal action against the property owner to enforce the terms of the agreement.

Under section 349 of the *Municipal Act, 2001*, property taxes are a lien against the property and payment can be enforced against a subsequent owner. Section 365.2 provides that section 349 applies in cases where the property is sold to a new owner and repayment is still required.

Any amounts that a municipality receives back from a property owner in these circumstances **must** be shared with the upper-tier municipality (where applicable) and school board(s) in the same proportion that these bodies shared in the cost of the tax relief.

Pass Program By-law

A municipality **must** pass a by-law to adopt the heritage property tax relief program. The contents of the by-law will vary depending on the particular program parameters adopted by the municipality.

A lower-tier municipality that passes a by-law **must** notify the upper-tier municipality of the amount of property tax relief it will provide under its program. Lower-tier municipalities are encouraged to provide a copy of their by-law to the upper-tier municipality to enable the upper-tier to decide if it wants to provide similar relief based on its portion of the tax revenues.

Within 30 days after the by-law is passed, municipalities **must** provide a copy of their by-law to the Minister of Finance. The mailing address is:

Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

In addition, municipalities are encouraged to send a copy of their by-law to the Heritage and Libraries Branch of the Ministry of Culture. (See Step 10) The Ministry is collecting these by-laws so that it can follow how the program is being implemented across the province and help other municipalities that adopt the program.

The contents of the by-law will vary depending on the particular program parameters adopted by the municipality.

Checklist: Heritage Property Tax Relief By-law (✓ each item)

❑ Introduction

☞ *See Introduction*

Should include:

- Reference to section 365.2 of the *Municipal Act, 2001*;
- Definitions, as necessary;
- Effective program start and end dates, if applicable.

❑ Eligibility criteria

☞ *See Step 2*

Should include mandatory eligibility criteria:

- Designation under the *Ontario Heritage Act*;
- Type(s) of Heritage conservation agreement(s).

May include additional eligibility criteria, if applicable:

- Terms and conditions;
- Different criteria for properties in different property classes or areas.

❑ Amount and form of relief

☞ *See Steps 3 & 4*

Must include:

- Percentage of relief (i.e. 10 to 40 per cent);
- Form of relief (i.e. reduction or refund).

May include, if applicable:

- Different percentages of tax relief for different property classes or different types of properties within a property class;
- Minimum and/or maximum amount(s) of relief to be provided to an *individual property* in a year;
- Minimum and/or maximum amount(s) of tax relief to be provided to a given *property class* and/or all property classes in a year.

❑ Application process

☞ *See Step 6*

Should include: application process for the first year of the program.
May include: a requirement to submit an application for subsequent years, if applicable.

❑ Remedial actions

☞ *See Step 8*

May include identify, if any, remedial actions for demolition or breach of the heritage conservation agreement.

Step 10

Promote your Program

Municipalities are encouraged to promote the benefits of their new heritage property tax relief program to maximize preservation of the community's unique heritage.

If there is a Municipal Heritage Committee in the community, the committee can work with council and municipal staff to inform owners of heritage properties about the program. These committees have a wealth of experience in providing advice and promoting awareness of heritage conservation in the community.

If there is a Municipal Heritage Committee in the community, the committee can work with council and municipal staff to inform owners of heritage properties about the program.

The measure can be promoted in many different ways, including:

- letters or brochures to designated property owners;
- a local heritage forum to talk about tax relief and other conservation incentives;
- articles in the local newspaper;
- information on municipal Web sites.

For more information

If you have questions or suggestions or would like to share with us some of your best practices, please contact:

Ministry of Culture
Heritage Policy and Program Development Unit
Heritage and Libraries Branch
400 University Avenue, 4th Floor
Toronto, ON M7A 2R9
General Inquiry: (416) 314-7136
Fax: (416) 314-7790

Ministry of Finance
Legislative Design Unit
Property Tax Policy Branch
777 Bay Street, 10th Floor
Toronto, ON M5G 2C8
General Inquiry: (416) 325-8796
Fax: (416) 314-7670

The Ministry's Web site, **www.culture.gov.on.ca**, includes this guide, section 365.2 of the *Municipal Act, 2001*, examples of heritage conservation agreements and other information materials.

Privately Owned Heritage Properties that Could Benefit from Tax Relief

Early Settlements

Early French Farmstead along Riverside Drive, Windsor

Tourism and Recreation

Cottage in the Thousand Islands

Buildings Needing Restoration

Morrow Building Restored, Peterborough

Industrial Site or Brownfield Development

Former Ahrens Shoe Co. Factory, Kitchener

Residential

Unionville Village, Markham

Provincially Protected Landmarks

Victoria College in Cobourg protected by an Ontario Heritage Foundation Easement

Vernacular

Mennist Mennonite Farmstead, Kitchener

Heritage District Properties

Historic homes along Colborne Street, Brantford District

Downtown and Main Street

George Street, Peterborough

Rural and Agricultural

Clarence Ex-s, Caledon

APPENDIX A

Heritage Conservation Agreements

A heritage conservation agreement is a mandatory eligibility requirement for the heritage property tax relief program. *The Municipal Act, 2001* subsection 365.2 (2) provides three options to meet this requirement. These are discussed in Step 2 and examples are available on the Ministry of Culture Web site at **www.culture.gov.on.ca**.

Process

Negotiating a heritage conservation agreement is an opportunity for the municipality to develop a relationship with the owner of a designated property to help ensure good stewardship of the property. The negotiation process is important in addressing both parties' concerns and clarifying expectations. Key steps of this process are outlined below:

1. **Respond to owner's request (initial contact between the owner and the municipality):** A property owner usually initiates contact, requesting information on the process to apply to the heritage property tax relief program and enter into a heritage conservation agreement. The municipality will generally ask questions to determine if the property meets the criteria established for such agreements.

2. **Encourage owner to consult with legal and tax advisors:** While the municipality can assist owners with the requirements of the program, it cannot provide professional legal or tax advice to an owner.

3. **Visit the property and compile baseline information:** A representative from the municipality should visit the property with the owner to assess its current status (e.g. boundaries, heritage attributes or features, historic land uses and hazards) and prepare baseline documentation using photographs and other recording methods. This documentation provides the basis upon which future improvements to the property are approved or breaches of the agreement are identified. This visit can also assist in acquiring other key information such as deeds, surveys and maps.

4. **Initiate title search:** As soon as it appears that a heritage conservation agreement is a real possibility for both parties, it is wise to conduct a title search to confirm the legal description and ownership, and to identify mortgages and other existing obligations that may be registered on title. Information obtained through the title search is critical to developing and registering a heritage conservation agreement.

5. **Negotiate the terms of the agreement:** Building a personal rapport and a positive relationship up front will ensure smooth and successful negotiations. The terms of each heritage conservation agreement will vary depending on the property's heritage attributes or features and owner's interests. Parties must focus their discussions on the requirements that are critical to the protection of the property's cultural heritage value, as well as on the responsibilities of both parties under the heritage conservation agreement. As part of this step, parties should also determine whether a survey or special mapping is required to identify the areas or parts or the property subject to restrictions.

6. **Finalize the agreement:** Once the parties have agreed to the terms of the agreement, the agreement document must be approved and executed on behalf of the municipality in accordance with the municipality's procedure for the approval and signing of legal agreements. If the agreement is to be registered in the local land registry office, the municipality should make the necessary arrangements to ensure that the agreement is registered.

Key Elements

To be effective in conserving heritage properties, all heritage conservation agreements, whether they are registered in the local land registry office or not, should contain a number of key elements, which are provided in the chart below.

Heritage Conservation Agreement: Checklist of Key Elements	✓
1. Legal description of the property eligible for property tax relief	
2. Statement (including background information) of the property's heritage attributes or features to be conserved	
3. Baseline documentation (usually including photographs) of the status of the property and its heritage attributes or features at the time of the agreement	
4. Obligation for the owner to maintain the property in good condition	
5. Requirement for the owner to obtain approval (i.e. from the municipality or the Ontario Heritage Foundation, depending on who holds the easement) for any alteration to the property that would affect its heritage attributes or features (and associated context); and to provide the appropriate plans or specifications for the proposed alteration	
6. Condition that the owner cannot demolish the property or any part of it without the permission of the municipality or Foundation	
7. Provisions for the municipality or Foundation to monitor the condition of the property (e.g. through inspections) and take remedial action if necessary	

APPENDIX B

Assistance from the Municipal Property Assessment Corporation

Determining the Assessment When a Portion of the Property is Eligible Under the Heritage Property Tax Relief Program

Under the *Ontario Heritage Act*, designation of a heritage property applies to real property — the land itself and the buildings and structures on it. In some situations, it may be inappropriate for a designation by-law to be applied to an entire property. An example is provided below.

The property comprises an historic farmhouse on a 100-acre farm. Only the historic farmhouse, the barn and the land associated with them are considered by council to be of heritage value and worthy of designation under the *Ontario Heritage Act*. The remaining farmland is excluded from the designation by-law.

In such cases, a registerable description (usually a reference plan of survey) is used to define the portion of the property that is designated and therefore eligible for heritage property tax relief.

The Municipal Property Assessment Corporation (MPAC) can assist municipalities to determine the portion of the property's assessment that relates to the part of the property that is eligible under the heritage property tax relief program. Municipalities may contact MPAC to request this information. Municipalities should provide MPAC with sufficient documentation (e.g. designation by-law, land registry records) regarding the portion of the property that is designated under the *Ontario Heritage Act*.

Please send your information requests to your local MPAC Municipal Relations Representative. MPAC will provide municipalities with the special assessment requested within 90 days of receiving the request. You may also contact MPAC at:

Municipal Property Assessment Corporation
Customer Contact Centre
P.O. Box 9808
Toronto, ON M1S 5T9

Toll-free hotline: 1-866-296-6722

Toll-free fax number: 1-866-297-6703

Web site: http://www.mpac.ca

APPENDIX C

Program Funding Process

Example 1: Process in a Single-tier Structure

A **single-tier municipality** passes a by-law to provide property tax relief to owners of eligible heritage properties.

In this municipality, 60 per cent of property taxes are allocated to the school board.

Assuming that the total cost of relief provided under the program amounts to $100,000, the municipality must:

- deduct $60,000 (i.e. $100,000 x 60%) from its usual remittances to the school board;
- fund the other $40,000 (i.e. $100,000 x 40%) – the municipal portion of the property taxes.

The school board will be compensated by the province for its revenue shortfall to maintain per student funding levels as determined through the Grants for Student Needs.

Example 2: Process in a Two-tier Structure (Participation of Both Tiers)

A **lower-tier municipality** passes a by-law to provide property tax relief to owners of eligible heritage properties.

In this municipality, 50 per cent of property taxes are allocated to schools boards, 30 per cent to the lower-tier municipality, and 20 per cent to the upper-tier municipality.

Assuming that the total cost of relief provided under the program amounts to $100,000, the lower-tier municipality must:

- deduct $50,000 (i.e. $100,000 x 50%) from its usual remittances to school boards;
- fund $30,000 (i.e. $100,000 x 30%), and the upper-tier municipality must fund $20,000 (i.e. $100,000 x 20%).

School boards will be compensated by the province for their revenue shortfall to maintain per student funding levels as determined through the Grants for Student Needs.

Notes:

Notes:

ISBN 0-7794-5284-4
© Queen's Printer for Ontario, 2005